

## Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 AGR-20 IGA-02 DRC-01 /156 W

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 3606

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJ: JAMAICA SUGAR INDUSTRY

REF: A-9355

FOLLOWING INFO PROVIDED RESPONSE TO REFAIR IS BRIEF SUMMARY OF  
MAIN POINTS. ADDITIONAL DATA (SUGAR INDUSTRY AUTHORITY ANNUAL  
REPORT, SUGAR INDUSTRY AUTHORITY ACT, INFO ON LAND OWNERSHIP, ETC.)  
POUCHED ARA/CAR.

3A\*. IN 1972 AGRICULTURE ACCOUNTED FOR 9.1 PERCENT OF GDP OR  
J\$105.6 MILLION. TOTAL AGRICULTURE EXPORTS WERE J\$64.3 MILLION;  
SUGAR ACCOUNTED FOR J\$33.7 MILLION WITH BANANAS SECOND AT J\$11.8  
MILLION. IN DOLLAR VALUE, SUGAR SECOND ONLY TO BAUXITE/ALUMINA.  
(J\$1.00 EQUALS US\$1.10).

3B. SIXTY PERCENT OF FACTORY CAPACITY IS FOREIGN OWNED PR\*NC-  
IPALY BY THE UK, WITH THE US AND CANADA ACCOUNTING FOR A SMALL  
SHARE. TWO LARGEST FACTORIES OWNED BY WEST INDIES SUGAR COMPANY  
WHICH IS JAMAICAN SUBSIDIARY OF UK'S TATE AND LYLE AND ACCOUNTS  
FOR APPROX\*ONE T\*RD OF TOTAL PRODUCTION. 15 LARGE ESTATES PROD\* E  
50 PERCENT OF CROP, 350 LARGER INDEPENDENTS ANOTHER 40 PERCENT, AND  
20,000 REGISTERED CANE FARMERS REMAINDER. ACCORDING TO MANAGER  
SUGAR INDUSTRY AUTHORITY, GOVERNMENT NOW OWN APPROX 60,000 ACRES  
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OF TOTAL ACREAGE OF 140-160,000 ACRES.

3.C. PROCESSING FACILITIES RELATIVELY MODERN BY WEST INDIAN STANDARDS, WITH CHIEF PROBLEM MAINTENANCE OF PRESENT EQUIPMENT RATHER THEN NEED FOR REPLACEMENT. ALTHOUGH FEW MECHANICAL HARVESTERS USED, MUCH OF LOADING DONE MECHANICALLY. ACCORDING TO GROWERS, PRICE SQUEEZE RESULTING FROM FALLING SUGAR PRICES IN PAST HAS MERKEDLY LIMITED FUNDS AVAILABLE FOR NEW INVESTMENT. SINCE 1970 ACREAGE PLANTED HAS REMAINED AT ABOUT 163,000 ACRES.

3D. POLITICAL INFLUENCE SPLIT BETWEEN CANE FARMERS AND LARGE ESTATES I.E. MANUFACTURERS. ALTHOUGH STRONG, INFLUENCE OF FORMER MORE DIFFUSED SINCE FUNNELED THROUGH MP'S WHILE MANUFACTURERS CENTRALIZED WITH MORE DIRECT IMPACT ON GOVERNMENT OFFICIALS LOCATED IN KINGSTON. ECONOMIC INFLUENCE HAS BELONGED MAINLY TO MANUFACTURERS ASSOCIATION. CREATION OF SUGAR INDUSTRY AUTHORITY ATTEMPT TO COORDINATE VARIOUS GROUPS, LESSEN INFLUENCE OF MANUFACTURERS, AND GIV GOJ ABILITY TO SET SUGAR POLICY.

3E. MARKETING ARRANGEMENTS HAVE BEEN HANDLED BY WEST INDIES SUGAR ASSOCIATION WHO HAVE MADE QUOTA ALLOCATIONS IN THE PAST.

3F. TOTAL DIRECT EMPLOYMENT IN SUGAR INDUSTRY IS ABOUT 60,000 PEOPLE. THERE IS LABOR SHORTAGE BROUGHT ABOUT MAINLY BECAUSE OF SCIOAL STIGMA ATTACHED TO MANUAL LABOR IN SUGAR INDUSTRY. AVERAGE AGE OF FIELD FORCE IS ABOUT 50.

3G. ACCORDING SUGAR INDUSTRY AUTHORITY, NEGOTIATIONS NOW GOING ON BETWEEN GOJ AND IBRD WHICH WILL ULTIMATELY RESULT IN LOAN TO INDUSTRY. SIR ARTHUR LEWIS AND OTHER IBRD OFFICIALS MAD AG SECTOR STUDY IN JULY THIS YEAR WHICH INCLUDED SUGAR INDUSTRY.

3H. PROBLEMS AFFECTING LEVEL OF PRODUCTION MAINLY DUE TO WEATHER AND STRIKES. TONS OF CANE PER TONE OF SUGAR HAVE BEEN AVERAGING BETWEEN 10 AND 11 SINCE 1970.

4A. GOJ HAS GUARANTEED INDUSTRY J\$155 PER TON OF SUGAR OF WHICH APPROX ONE THIRD IS TO GO TO MILLER, AND TWO THIRDS TO THE GROWER. IF GOJ CANNOT MARKET SUGAR AT THIS PRICE OR HIGHER, COST TO GOVT W\*\*L BE J\$6 MILLION. GO\*\*HAS ALSO GUARENTEED GROWER MINIMAL PRICE OF J\$8 PER TON OF CANE. DOMESTIC PRICE PER POUND OF SUGAR (GRADE D) ABOUT FIVE CENTS RETAIL WITH WHOLESALE PRICE SLIGHTLY HIGHER. PRICES ARE ARTIFICIALLY LOW AND HAVE REMAINED AT THIS LEVEL FOR MANY YEARS. PRODUCTION COSTS ESTIMATED AT J\$130 PER SHORT TON. SUGAR INDUSTRY AUTHORITY ESTIMATES THAT JAMAICA MAY HAVE HIGHEST COST OF PRODUCTION IN THE CARIBBEAN.

4D. GOJ COMPLETELY COMMITTED TO REVITALIZATION OF SUGAR INDUSTRY. FOR THE VERY FIRST TIME A PM OFFICIALY OPENED SUGAR HARVEST. GOJ LIMITED OFFICIAL USE

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HAS EMPHASIZED NEED FOR EFFICIENCY TO MEET ESTIMATED CROP TARGET OF 360,000 TONS. GOJ IS ALSO EMBARKING ON CO-OPERATIVE SYSTEM IN WHICH GOVERNMENT WILL LEASE LAND TO WORKERS ORGANIZED AS CO-OPERATIVE FARMERS. LAND AREA OF EACH COOPERATIVE WOULD BE ABOUT 500 ACRES.

4E. GOVERNMENT DERIVES SOME REVENUE THROUGH EXCISE TAXES BUT IT IS NOT SIGNIFICANT IN OVER-ALL REVENUE PICTURE.

4F. IN PAST SUGAR EARNING APPEAR TO HAVE BEEN DISTRIBUTED

MAINLY BETWEEN CAPITAL AND LABOR WITH SMALL AMOUNT TO GOVERNMENT.

5. SUMMARY - SUGAR INDUSTRY REMAINS COUNTRY'S LARGEST EMPLOYER AND PRINCIPAL AGRICULTURAL EXPORT. PRESENT GOVERNMENT TOTALLY COMMITTED TO "REVITALIZATION" OF INDUSTRY, AND REORGANIZATION PROGRAM INCLUDES CONTROL OF PRODUCTION AND MARKETING. GOJ SUGAR INDUSTRY AUTHORITY SHOWS MARKED ANTAGONISM TO MANUFACTURERS AS REPRESENTATIVES OF TATE AND LYLE INTERESTS AS OPPOSED TO THOSE OF COUNTRY, AND HAS REPLACED SUGAR MANUFACTURERS ASSOCIATION WITH JAMAICA SUGAR MANUFACTURING CORP. FUTURE DEVELOPMENTS IN INDUSTRY WILL DEPEND ON ABILITY OF GOJ TO CARRY THROUGH ITS PROGRAM AND EXTENT TO WHICH IT CAN MAKE CHANGES IN PRESENT WISA MARKETING POLICIES.

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## Message Attributes

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